

Message Text

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TAGS: JA, CH, EEWT

SUBJ: JAPANESE PRIVATE ECONOMIC MISSION TO PEKING

REF: TOKYO 0700

SUMMARY: HIGH LEVEL PRIVATE JAPANESE ECONOMIC MISSION HAS RETURNED FROM PEKING CONFIDENT CURRENT BILATERAL TRADE PROBLEMS DO NOT PRESENT MAJOR OBSTACLE TO CONTINUED EXPANSION OF ECONOMIC RELATIONS BETWEEN JAPAN AND CHINA.

1. IN TALK WITH EMBOFF ON JANUARY 24, EXECUTIVE DIRECTOR OF JAPAN-CHINA ECONOMIC ASSOCIATION TANAKA SAID RESULTS OF

HIGH LEVEL PRIVATE ECONOMIC MISSION TO PEKING JANUARY 14-17 LED BY NEW JAPAN STEEL COMPANY BOARD CHAIRMAN YOSHIHIRO INAYAMA, CONFIRMED TO JAPANESE THAT PROSPECTS ARE BRIGHT FOR CONTINUED TRADE EXPANSION BETWEEN TWO COUNTRIES, DESPITE SOME CURRENT PROBLEMS ARISING FROM DEPRESSED JAPANESE ECONOMY AND A \$600 MILLION TRADE IMBALANCE IN JAPAN'S FAVOR (OUT OF TOTAL TWO-WAY TRADE OF \$2.9 BILLION). IN ADDITION TO INDIVIDUAL AND COLLECTIVE MEETINGS WITH
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VICE PREMIER LI HSIEN-NIEN, AND OFFICIALS OF THE

MINISTRY OF TRADE AND OTHERS, INAYAMA WAS SUMMONED FOR UNSCHEDULED MEETING WITH CHOU EN-LAI AT HOSPITAL. ALTHOUGH TALK WAS GENERAL, JAPANESE INTERPRET THIS MEETING AS CONCLUSIVE EVIDENCE OF CONTINUED HIGH IMPORTANCE CHINESE TOP LEADERS PLACE ON TRADE RELATIONS WITH JAPAN.

2. MAJOR SUBSTANTIVE TOPIC RAISED BY JAPANESE WAS POSSIBILITY OF SETTLING TRADE CONTRACTS IN U.S. DOLLARS RATHER THAN IN YUAN AS HERETOFORE. YEN HAS DEPRECIATED AGAINST YUAN ABOUT 34 PERCENT OVER PAST YEAR, AND IF TREND CONTINUES, JAPANESE IMPORTERS WILL PURCHASE LESS FROM CHINA, INCREASING TRADE IMBALANCE FURTHER. ACCORDING TO TANAKA, JAPANESE EXPORTERS TO CHINA WOULD ALSO PREFER RELATIVE STABILITY OF DOLLAR YEN EXCHANGE RATE. DESPITE SOME PRESS REPORTS TO CONTRARY, CHINESE MADE NO EXPLICIT RESPONSE TO JAPANESE SUGGESTION FOR DOLLAR SETTLEMENT, BUT JAPANESE WERE ENCOURAGED THAT CHINESE DID NOT REJECT IDEA OUTRIGHT AND AGREED TO TAKE MATTER UNDER CONSIDERATION.

3. ACCORDING TO TANAKA, CHINESE DISPLAYED FORWARD LOOKING ATTITUDE TOWARDS LONG TERM PETROLEUM SUPPLIER RELATIONSHIP WITH JAPAN, AND UNDERSTANDING OF FACT THAT CURRENTLY DEPRESSED DEMAND ACCOUNTS FOR DELAY IN ACCEPTING DELIVERY OF 900,000 TONS OF OIL SCHEDULED FOR SHIPMENT BY END OF LAST YEAR. TANAKA NOTED, HOWEVER, MISSION DID NOT ADDRESS SUBJECT OF CONTRACTS FOR 1975 SINCE THIS IS BEING HANDLED BY TRADITIONAL "WINDOWS" TO CHINA OIL TRADE (ONE OF WHICH, INTERNATIONAL OIL COMPANY, WAS IN PEKING AT TIME OF MISSION'S VISIT), AND MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (REF).

4. BOTH SIDES AGREED, TANAKA SAID, TO CONTINUE AND EXPAND WHERE POSSIBLE TECHNICAL EXCHANGE PROGRAMS, PARTICULARLY IN PETROLEUM REFINING, ELECTRICITY AND AUTOMOBILE INDUSTRIES. TANAKA DOES NOT, HOWEVER, EXPECT DRAMATIC INCREASE IN NUMBER OR SIZE OF EXCHANGES IN NEAR FUTURE.

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